The Southland Corporation and R. J. Reynolds Display Program

Cooperating Together for Mutual Benefit

Southland and R.J. Reynolds have agreed to extend our current cigarette display and merchandising agreement through 1998. In order to insure that both partners maximize the benefit of this agreement, we would appreciate your review of the mutual expectations that are listed below. We would hope that a clear understanding of both the agreement and the "Spirit" of the agreement will accomplish two objectives. One objective is to provide R. J. Reynolds with the brand and product exposure they desire. The other is to do this in a way that is not in conflict with the store's need to only carry products with acceptable sales performance. With a reasonable and cooperative approach to achieving these objectives there should be a high level of compliance and a low level of disputes.

R. J. Reynolds Expectations

> **Display/Load Tags**

R. J. Reynolds will work with the store manager to determine proper initial brand load and ensure displays are tagged to show the brand styles that should be maintained. These brands should maintain reasonable movement and in most cases will be core brands. RJR reserves the right to specify brands in "special" situations (i.e., new brands) for placement for a minimum of 8 weeks. If brands do not maintain a reasonable sales level based on an analysis of the category, they should be replaced with an RJR brand agreed upon by the RJR Representative and Store Manager, or Franchisee.

> **Display Advertising**

R. J. Reynolds will place and maintain advertising on all displays.

> **Display Positioning/Lighted Clock Sign**

All participating locations should have the R.J. Reynolds Full Price Counter Displays in a wrap configuration (customer side) at the 2nd register in from the door on the main selling counter.

R. J. Reynolds will provide a digital clock with illuminated sign. R. J. Reynolds and Southland will agree on the store location for the clock sign which, where reasonably possible, shall be a highly visible area that is not obstructed by fixtures, other signage or displays. R. J. Reynolds will be responsible for any required repair or replacement of the clock.

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Southland Expectations

> **Properly Filling Displays**

Once the display is tagged by RJR it should be filled with the exact brand style tagged. It is the store's responsibility to maintain the displays with the proper load. You should ensure that adequate inventories of displayed brands are maintained as these are usually the best selling or new brand styles. If reasonable movement is not maintained on a specific brand, it should be replaced with a brand agreed upon by the RJR Representative and Store Mananger/Franchisee.

> **Doral Pricing**

R.J. Reynolds Doral brand should be featured on the Pack Merchandiser pricing information Panel in stores with two tier pricing. Where a third (lowest) tier exists in a store, Doral should be priced at parity with Southland's Private Label "Premium Buy" or lowest tier brand. Where a third tier situation exists, only the Doral and Premium Buy should be featured via the Package Merchandiser pricing information panel.

> **Display Obstruction**

Cigarette counter displays should not be blocked by any other items(i.e., flowers, lighters, paper bags, temporary displays, etc.). Please ensure your counter displays are unobstructed at all times.

> **Display Positioning**

Displays should be maintained in the agreed upon location. Improper location of cigarette displays will result in an action outlined below.

R. J. Reynolds Compliance Procedures

The following procedures outline compliance with R. J. Reynolds. In each situation the RJR representative will note on his report, the name of the Southland Personnel he/she discussed the compliance issue with.

1st Occurrence: Your R.J. Reynolds Representative will resolve the non-compliance situation, discuss it with the store manager, and issue a warning. **Payment will be made.**

2nd Occurrence: Your R. J. Reynolds Representative will discuss the non-compliance situation and actions that need to take place to resolve the non-compliance. With the second occurrence a deletion of that month's payment will occur.

This correspondence covers the key contract points. If you should have any questions, please contact this office or your R. J. Reynolds Representative. Your assistance in working with your R. J. Reynolds Representative is appreciated.

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